

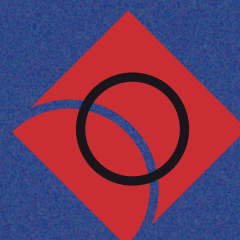


FLAGSHIP
INVESTMENTS

Annual Report 2023
**Preserving Confidence,
Producing Results.**

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FINANCIAL CALENDAR

FINANCIAL YEAR END

30 June 2023

FINAL DIVIDEND

4.9 cents per share

SHARES TRADED EX DIVIDEND

15 August 2023

DIVIDEND BOOKS CLOSE

16 August 2023

DIVIDEND PAYMENT

30 August 2023

ANNUAL GENERAL MEETING

The Annual General Meeting of
Flagship Investments Limited:

WILL BE HELD AT:

The office of
McCullough Robertson Lawyers
Level 11, Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

TIME:

12:00pm (QLD Time)

DATE:

Friday 10 November 2023

INVESTING IN FLAGSHIP INVESTMENTS LIMITED

Investors can purchase shares in
Flagship Investments Limited
through the Australian Securities
Exchange.

ASX code: **FSI**

Flagship Investments Limited
ABN 99 080 135 913
Registered in Queensland
23 September 1997



FLAGSHIP INVESTMENTS LIMITED DIRECTORS (from left to right)

Dr Manny Pohl AM (Managing Director), Angela Obree (Non-Executive Director) and Dominic McGann (Chairman)

HIGHLIGHTS FOR 2023

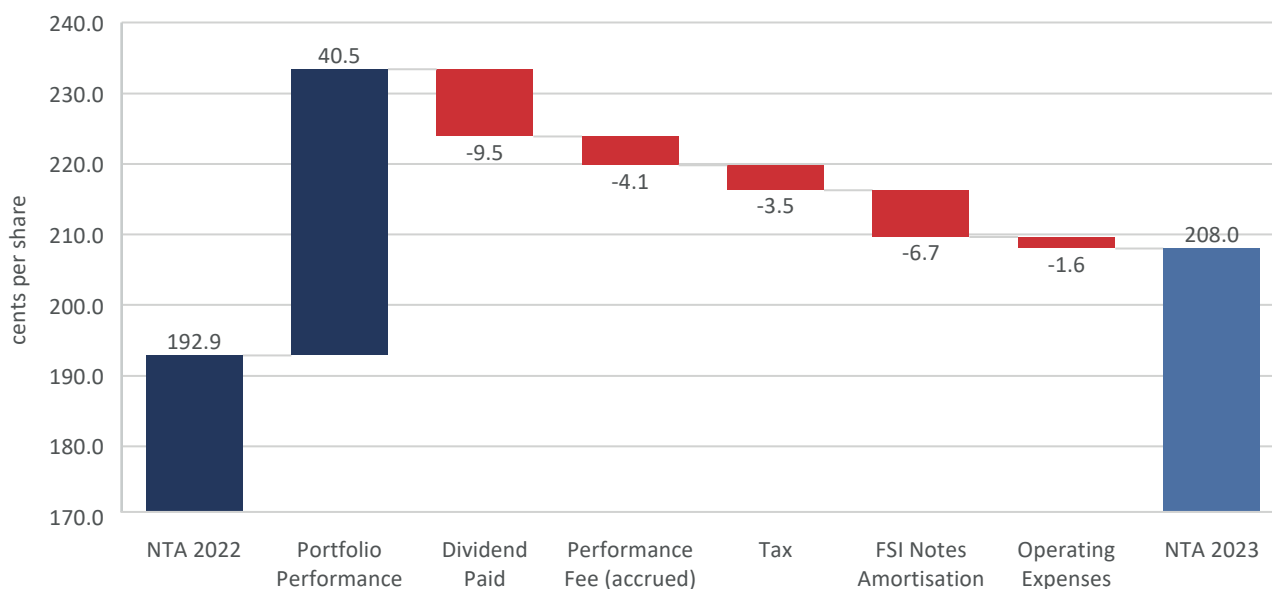


Highlights for the year ending June 2023

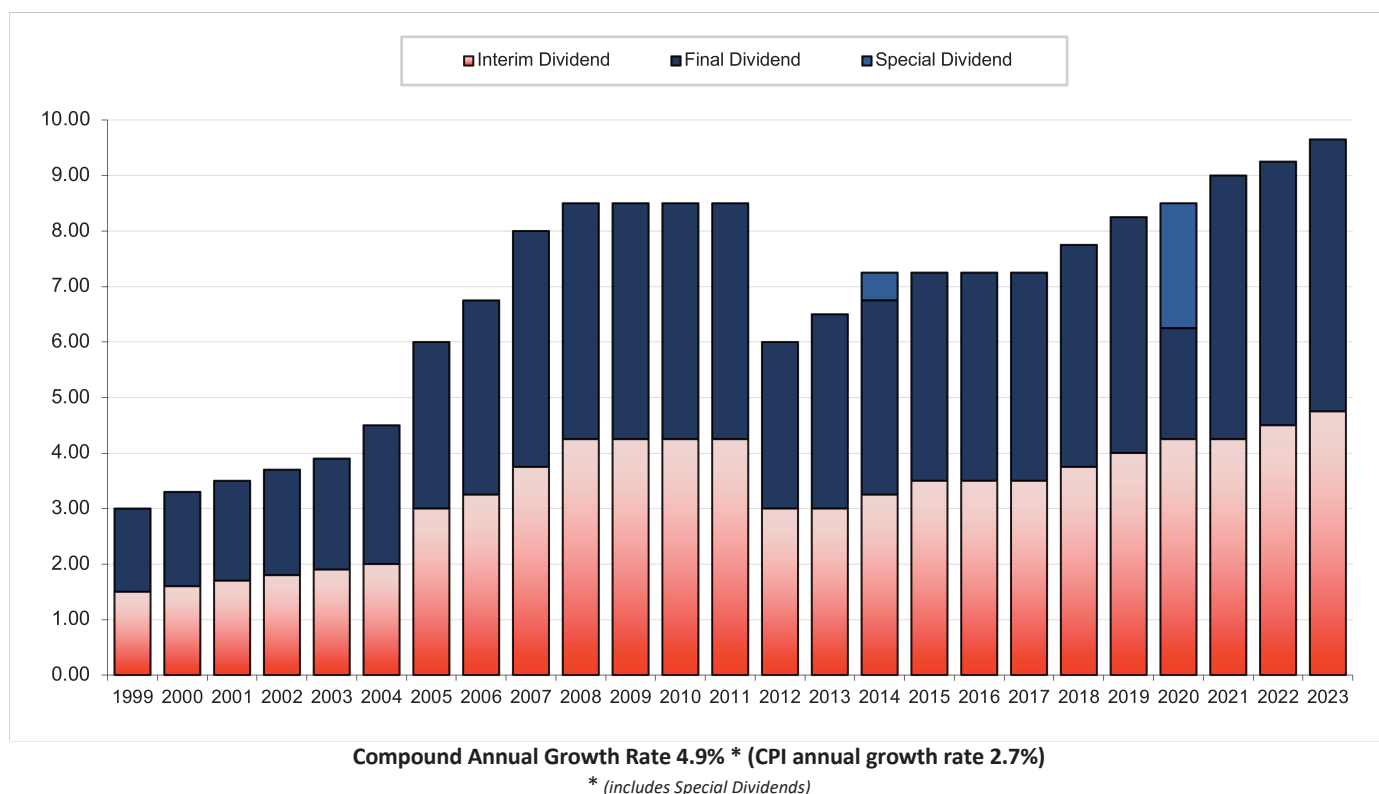
- Portfolio performance was a positive 15.4%, outperforming the ASX All Ordinaries Index by 5.7 percentage points which increased by 9.7% over the twelve-month period.
- Dividends paid during the year total 9.5 cents per share, the highest ever annual dividend paid to FSI Shareholders. Dividend yield is 5.72% based on the closing share price at 30 June 2023.
- FSI achieved certification by the [Responsible Investment Association Australia](#).



Contribution to Net Tangible Assets 'NTA' (before tax on unrealised gains)



Dividends per share as declared





Underlying Portfolio Performance

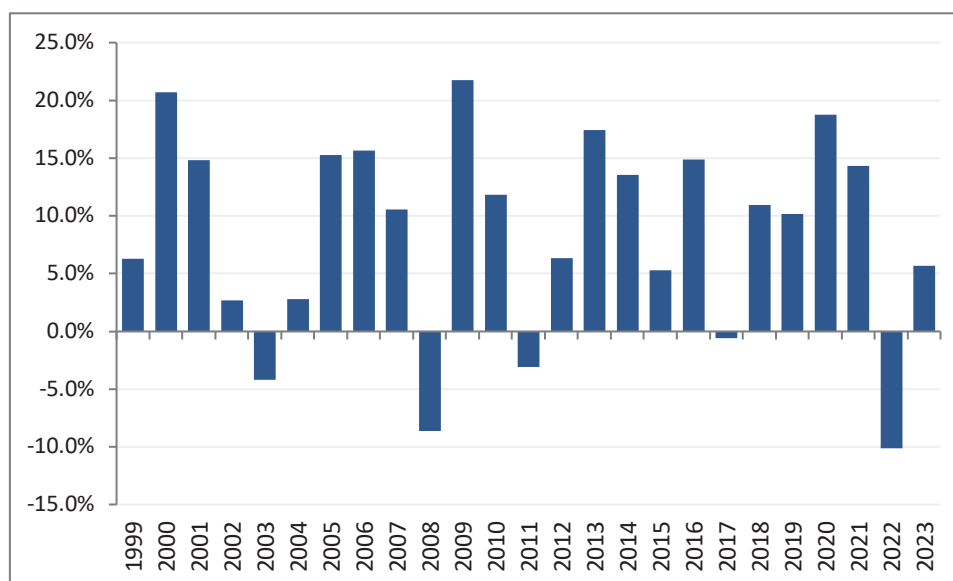
	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Since Inception (1 May 1998) p.a.
Portfolio [^]	15.4%	8.6%	10.1%	12.2%	11.9%
Bank Bill Index	2.9%	1.0%	1.2%	1.7%	3.8%
ASX All Ordinaries Index	9.7%	7.2%	3.3%	4.5%	4.0%
ASX All Ord Accumulation Index	14.8%	11.4%	7.4%	8.8%	8.3%

[^] Source: EC Pohl & Co Pty Ltd



Relative Performance History

PORTFOLIO OUTPERFORMANCE vs ALL ORDINARIES INDEX



Major Investments June 2023

TOP 10 INVESTMENTS		
	June 23	June 22
Rio Tinto Limited	6.8%	6.5%
GQG Partners Inc	6.2%	8.1%
HUB24 Limited	5.5%	5.4%
Domino's Pizza Enterprises	5.2%	5.3%
Commonwealth Bank of Australia	4.9%	6.2%
Carsales.Com Limited	4.9%	5.1%
Macquarie Group Limited	4.8%	6.0%
IDP Education Ltd	4.8%	3.7%
Seek Limited	4.4%	3.1%
CSL Limited	4.1%	6.1%
TOTAL	51.6%	55.5%

OVERVIEW

COMPANY PROFILE

Flagship Investments Limited (the “Company”) commenced operations in April 1998 and is a Listed Investment Company (LIC) providing investors with access to an expertly crafted quality portfolio of Australian growth companies.

The portfolio is managed by EC Pohl & Co Pty Ltd which has a strong funds management investment team renowned for its stability, track record and sound investment process.

The Manager’s investment strategy centres on the view that the economics of a business drives long-term investment returns and investing in high quality business franchises that have the ability to generate predictable, above-average economic returns will produce superior investment performance.

MISSION

Creating Shareholder wealth through active management of a portfolio of ASX listed quality growth companies.

OBJECTIVES

The investment objectives of Flagship Investments Limited are:

- To achieve medium to long-term capital growth and income through investing in a diversified portfolio of Australian companies;
- To preserve and enhance the NTA backing per share; and
- To provide Company Shareholders with a fully franked dividend, which over time, will grow at a rate in excess of the rate of inflation.

INVESTOR BENEFITS

The benefits for investors in Flagship Investments Limited are:

- Reduced share investment risk through a diversified investment portfolio;
- Professional and disciplined management of an investment portfolio;
- Fully franked dividend income;
- Access to tax advantages of Listed Investment Company Capital Gains when available;
- Access to a Dividend Reinvestment Plan;
- Easy access to information via the Company’s website www.flagshipinvestments.com.au.

INVESTMENT MANAGER

The management of the Company’s investment portfolio is undertaken by EC Pohl & Co Pty Ltd. EC Pohl & Co is a specialist equities fund manager with over twenty years managing the Flagship Investments’ portfolio. Together with its subsidiary ECP Asset Management Pty Ltd, the group manages equity portfolios on behalf of sophisticated investors, listed and unlisted funds and institutional clients. As at 30 June 2023 the group had \$2.4 billion in funds under management.

The Company’s portfolio of investments comprises companies with a sustainable competitive advantage whose operations cover a wide spectrum of business activities. The portfolio is constructed from the perspective of a business owner, by investing in well managed companies and not simply by tracking the index weighting of various component stocks.

Dr Manny Pohl AM is the Managing Director and major Shareholder of EC Pohl & Co Pty Ltd.

Information on the Investment Manager is available from: www.ecpohl.com & www.ecpam.com

ENVIRONMENTAL, SOCIAL & GOVERNANCE

The Company is committed to responsible investment and has been recognised by RIAA in this regard. FSI believes that Environmental, Social and Governance (ESG) factors have a material impact on long-term investment outcomes and to hold a portfolio of businesses with a sustainable competitive advantage it is important to incorporate ESG analysis into the investment process.

The Manager achieves this by applying its proprietary ‘Pillars of a Quality Franchise’ framework. Through the application of this six-pillar framework, ESG and sustainability risks are mitigated by placing a material emphasis on the Sustainability and Management pillars:

- The sustainability pillar focuses on areas of a business where there may be risk to the predictability of business operations through time. This assists mitigation of default risk and uncertainty of business expansion.
- The management pillar focuses on the trustworthiness of management. This assists mitigation of uncertainty by reducing the risk of managerial conduct or failure of business strategy execution.

The other pillars are the Industry, the Business, the Competition and the Financials.

It is also important to note that the Manager excludes a number of industries including weapons, tobacco, gambling, thermal coal, petroleum, old-forest logging, palm oil, and pesticides – a list that is reviewed annually.

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

I am pleased to present the Annual Chairman's Report of Flagship Investments Limited for the 2022-23 Financial Year.

THE YEAR IN REVIEW

Market commentary for 2022-2023 reflects a lot of the themes that emerged during the last financial year (2021-2022). While key global events remained prominent (including the Russian invasion of Ukraine and the rolling impact of COVID-19 variants), macro-economic factors had a greater impact on the financial markets. Widespread inflation became a serious concern for global economies and the response from central banks aggressively increasing interest rates has threatened to tip slowing economies into recession.

For example, the Reserve Bank of Australia (RBA) has increased the cash rate target by 400 basis points from 0.1% in April 2022 to 4.1% in June 2023. This is a significant jump in a short space of time and markets reacted strongly at the initial shock when the RBA changed its stance from 'inflation is transitory' to 'we need to fight inflation at all costs'. Throughout the year however, we became accustomed to and even anticipating the interest rate moves and despite the high inflation reading for the December 2022 quarter the market was very positive as represented by the ASX All Ordinaries Index which was up by 13.9% at the end of January 2023. The optimism cooled in February 2023 with the banking crisis that ensnared Silicon Valley Bank (SVB) and Credit Suisse, however, at the end of June 2023 the ASX All Ordinaries was still in positive territory, having increased by 9.7% from June 2022.

In comparison, the Flagship Investments Portfolio has returned 15.4% for the financial year adding to the since inception performance which is now 11.9% compared to the ASX All Ordinaries Index which has increased by 4.0% over the same period.

THE MARKET OUTLOOK

Comments from the RBA indicate that the rate increases are not over yet and seem likely while the labour market remains tight and inflation remains high. Forecasting the medium-term impact of the rate increases remains difficult and the debate about a hard or soft landing will continue.

It is likely that stubborn core inflation, tighter financial conditions and central bankers that are slow to cut rates may result in declining company earnings in many businesses. It is therefore as important as ever to remain diligent and committed to the investment process, assessing our investee businesses on their ability to generate above-average earnings and to think long-term with our strategy so as not to be caught up in the fluctuations in the market.

DIVIDEND

Our portfolio of investments has performed very well over the last 12 months, allowing the board to increase the interim dividend by 5.5% to 4.75cps, and to increase the final dividend to 4.9cps. This makes the total FY23 dividend 9.6cps, a 4.3% increase on the prior year and a 5.8% yield on the closing share price at 30 June 2023.

The FY23 dividends are fully franked and fully attributable to LIC capital gains (please refer to Note 17 of the Financial Statements for additional commentary regarding the LIC Capital gain benefits).

THE INVESTMENT MANAGEMENT TEAM

As noted above, the disciplined execution of the investment process is fundamental to the success of our business. To that end, I want to record my personal appreciation and that of the Board as a whole, to our Investment Manager led by Dr Manny Pohl and his team of professionals at EC Pohl & Co. Our continuing success could not have been achieved without the outstanding contribution of these committed individuals.

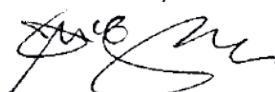
THE BOARD

After the variances of recent years it has been a welcome change to have a relatively more settled environment for business. I wish to record my appreciation for my fellow Board members (including our Company Secretary) for their support and contribution throughout the past year. The Board remains focused on delivering Shareholder returns via the performance of the portfolio while acknowledging that the share price does not necessarily reflect the underlying value of that portfolio. The recurrent share price discount to net tangible assets is not uncommon for a listed investment company of our size, however for the benefit of Shareholders we aim to narrow the gap by increasing awareness of the Company and encouraging investor interest.

To stay up to date with the latest company announcements and insights, I would like to invite Shareholders and interested parties to subscribe to the monthly Flagship Investments Ltd newsletter (subscribe via the [FSI Website](#)) as well as connecting with us via social media on [Facebook](#), [LinkedIn](#) and [YouTube](#).

For now, thank you for your continued support.

Yours sincerely



Dominic McGann
Chair



DIRECTORS' REPORT

Your Directors present their report on Flagship Investments Limited for the financial year ended 30 June 2023.

1. DIRECTORS

The following persons were Directors of Flagship Investments Limited for the entire financial year, unless otherwise stated: D McGann, Dr E Pohl AM and A Obree. S Barrett Alternate Director to D McGann and A Obree.

2. INFORMATION ON DIRECTORS



Dominic M McGann

Solicitor of the Supreme Court of Queensland, LLB (QIT), LLM (Sydney University), LLM (Bond University)

Non-Executive Chair

Member of Audit and Risk Committee

Experience and expertise

Appointed Non-Executive Director on 8 October 2009.

Appointed Chairman on 4 November 2016.

Extensive experience as a Partner with McCullough Robertson Lawyers and a Solicitor with the Supreme Court of Queensland.

Listed Company directorships:

Nil

Other directorships:

Director of TRI Foundation Limited

Director of Frazer Family Foundation Pty Ltd

Chair of Climate-KIC Australia Ltd

Co-Chair of Carumba Institute

Member of QUT Council

Former Listed Company directorships in last 3 years

None

Interests in the Company

447,562 ordinary shares

18,518 convertible notes



Dr Emmanuel (Manny) C Pohl AM

B.Sc (Eng), MBA, DBA, FAICD, MSAFAA, F Fin

Managing Director

Experience and expertise

Managing Director since the inception of the Company in 1997.

Extensive experience in the funds management industry.

Listed Company directorships

Managing Director of Global Masters Fund Limited

Managing Director of Athelney Trust Plc

Other directorships

Chairman of EC Pohl & Co Pty Ltd

Chairman of ECP Asset Management Pty Ltd

Director of Bond University Limited

Director of Huysamer International Holdings (Pty) Ltd

Former Listed Company directorships in last 3 years

None

Interests in the Company

10,158,228 ordinary shares

1,851,851 convertible notes

Has a relevant interest in shares in the Company and he holds a Power of Attorney arrangement with a number of Shareholders.

**Angela Obree**

B.Compt, MBA, MAICD

*Non-Executive Director
Chair of Audit and Risk Committee*

Experience and expertise

Appointed Non-Executive Director on 29 September 2021.

Angela has almost 25 years' experience in management consulting in the UK, South Africa, Ireland, and Germany. She is a highly experienced commercial mediator, negotiation expert, and corporate crisis leader.

Listed Company directorships

Director of Global Masters Fund Limited

Other directorships

Director of Congrua Limited
Director of ECP Asset Management Pty Ltd

Former Listed Company directorships in last 3 years

None

Interests in the Company

Nil ordinary shares
1,851 convertible notes

**Scott W Barrett**

B.Com, CA

*Company Secretary
Alternate Director
Chief Financial Officer*

Experience and expertise

Appointed Alternate Director since 3 November 2017 for Dominic McGann.

Scott has 20 years' experience in business management and accounting, leading businesses across Australia and New Zealand. He is the CFO for EC Pohl & Co Pty Ltd and two ASX Listed Investment Companies.

Listed Company directorships

Alternate Director ECP Emerging Growth Limited

Other directorships

Nil

Former Listed Company directorships in last 3 years

None

Interests in the Company

26,900 ordinary shares
37,036 convertible notes

DIRECTORS' REPORT (Continued)

3. PRINCIPAL ACTIVITIES

The principal activity of the Company is investing in securities listed on the Australian Securities Exchange. There have been no significant changes in the nature of this activity during the year.

4. REVIEW OF OPERATIONS

Portfolio performance during the financial year was positive 15.4% compared to the ASX All Ordinaries Index which increased by 9.7%. The company's portfolio of growth stocks performed well compared to the index and reflects a shift from a period when technology & other growth stocks had been devalued due to interest rate rises but are recovering based on improving economic prospects.

At year end there is a provision for the performance fee of \$1,061,000 payable to the Manager due to the outperformance of the Bank Bill Index, which increased by 2.9%. This, together with the amortised interest on the FSI Convertible Notes of \$1,737,000, led to a loss for the year of \$807,000. By comparison, FY2022 profit for the year was \$2,574,000 assisted by the \$2,047,000 credit for fair value movement of the derivative liability associated with the convertible note and a nil performance fee. At the Comprehensive Income level the portfolio performance is reflected in the Total Comprehensive Income of \$5,271,000 compared to a loss of \$11,935,000 last year.

The Company's investment focus remains unchanged: selecting quality companies that have the ability to grow their earnings and dividends over three to five years. This should ensure continued growth in the future dividends declared and also capital appreciation potential within the portfolio.

5. EARNINGS PER SHARE

Based on profit after income tax

	2023 Cents	2022 Cents
Basic earnings per share	(3.1)	10.0
Diluted earnings per share	1.8	5.2
Comprehensive earnings per share	20.4	(46.2)

See Note 18 of the Financial Report.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year.

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Apart from the dividend declared as per item 8, no other matter or circumstance not otherwise dealt with in the Directors' Report or Financial Report, has arisen since the end of the year that has significantly affected, or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

8. OPTIONS

No Options have been issued during or since the financial year (30 June 2022 – Nil).

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no planned changes to principal activities. Any general decline in equity markets may have an adverse effect on results in future years.

10. DIVIDENDS PAID

Type	Cents per share	Total amount \$'000's	Date of payment
The dividends paid to Shareholders during the financial year were as follows			
Final	4.75	1,228	August 2022
Interim	4.75	1,228	February 2023
	9.50	2,456	
Dividends paid by the Company during the preceding year were:			
Final	4.75	1,222	August 2021
Interim	4.50	1,161	February 2022
	9.25	2,383	

The final dividend paid on 26 August 2022 and the interim dividend paid on 23 February 2023, were fully franked and fully attributable to LIC capital gains.

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a fully franked final dividend of 4.9 cents per share, totalling \$1,267,006 to be paid on 30 August 2023. This dividend is fully attributable to LIC capital gains.

11. COMPANY SECRETARY

Scott Barrett B.Com, CA

Scott is a Chartered Accountant and commenced as Alternate Director and Company Secretary on 3 November 2017. He is the Chief Financial Officer for EC Pohl & Co. Scott has extensive business management and accounting experience working in subsidiaries of multinational groups from the hospitality and property industries.

12. MEETINGS OF DIRECTORS

The number of Directors' meetings attended by each of the Directors of the Company during the financial year were:

Director	Board		Audit and Risk Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
D McGann	4	4	3	3
Dr E Pohl AM	4	4	-	-
A Obree	4	4	3	3

13. ENVIRONMENTAL ISSUES

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

14. REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- (A) Principles used to determine the nature and amount of remuneration
- (B) Details of remuneration
- (C) Service agreements
- (D) Share-based compensation
- (E) Related Party Transactions
- (F) Equity Instrument Disclosure relating to Key Management Personnel

(A) Principles used to determine the nature and amount of remuneration

Fees and payments to Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board reviews the remuneration of Directors annually.

No remuneration consultants were engaged during the year.

The per annum remuneration (exclusive of non-claimable GST) of the Directors remains unchanged from June 2022.

- Chairman \$45,000
- Other Directors \$40,000

Remuneration of Directors is determined by the Board within the maximum amount of \$200,000 previously approved by the Shareholders.

There is no performance based remuneration for Directors.

(B) Details of remuneration

Details of the remuneration of each Director of Flagship Investments Limited and the executives of the Company are set out in the following table.

DETAILS OF REMUNERATION

Director	Year	Short-term Benefits			Post-Employment Super	Equity		Total
		Fees	Performance Fees	Non-monetary Benefits		Shares	Options	
		\$	\$	\$	\$	\$	\$	\$
Dominic McGann * <i>Non-executive Chairman</i>	2023	46,125	-	-	-	-	-	46,125
	2022	46,125	-	-	-	-	-	46,125
Dr E C Pohl AM * <i>Managing Director</i>	2023	41,000	-	-	-	-	-	41,000
	2022	41,000	-	-	-	-	-	41,000
Sophie Mitchell ^ <i>Non-executive Director</i>	2023	-	-	-	-	-	-	-
	2022	9,845	-	-	-	-	-	9,845
Angela Obree <i>Non-executive Director</i>	2023	40,000	-	-	-	-	-	40,000
	2022	30,155	-	-	-	-	-	30,155
Total Directors Remuneration	2023	127,125	-	-	-	-	-	127,125
	2022	127,125	-	-	-	-	-	127,125

* Inclusive of non-claimable GST amount

^ Resigned 29 September 2021

(C) Service agreements

As the Company does not employ any staff, there are no employment service agreements entered into by the Company. The Managing Director and Company Secretary are employed by the Investment Manager – EC Pohl & Co Pty Ltd.

(D) Share-based compensation

No share-based compensation exists.

(E) Related Party Transactions

The following transactions occurred with other related parties:	2023 \$'000	2022 \$'000
Expenses paid or payable by the Company to:		
– EC Pohl & Co Pty Ltd for Performance Fee A Performance Fee is payable in accordance with the Management Services Agreement as detailed in Note 24 Dr E C Pohl AM has an interest in the transaction as during the year Dr E C Pohl AM was a Director, employee and Shareholder of EC Pohl & Co Pty Ltd.	1,061	-
– McCullough Robertson Lawyers for the provision of legal services. D M McGann is a partner of McCullough Robertson Lawyers.	-	78
– Allegiant IRS for insurance advice for D & O Policy. The company is owned by McCullough Robertson Lawyers, of which D M McGann is a partner.	2	2
All related party transactions are made on an arm's length basis using the standard terms and conditions.		

DIRECTORS' REPORT (Continued)

(F) Equity Instrument Disclosure relating to Key Management Personnel

The number of shares and convertible notes in the Company held during the financial year by each Director of Flagship Investments Limited, including their related parties and powers of attorney is set out below. There were no shares granted during the year as compensation.

Ordinary Shares	Balance At The Start Of The Year	Number Acquired	Number Disposed	Other Changes During The Year	Balance At the End Of The Year
D M McGann	447,562	-	-	-	447,562
Dr E C Pohl AM	10,455,246	126,649	-	(423,667)*	10,158,228
A Obree	-	-	-	-	-
Convertible Notes					
D M McGann	18,518	-	-	-	18,518
Dr E C Pohl AM	1,851,851	-	-	-	1,851,851
A Obree	1,851	-	-	-	1,851

* Shares controlled by way of a power of attorney with the registered holder were transferred to a new holder and are therefore no longer considered under the control of Dr Pohl AM.

END OF REMUNERATION REPORT (AUDITED)

15. GENERAL TRANSACTIONS

Other than the Director's remuneration, the Company does not directly contract with any of the Directors.

16. LOANS

There are no loans issued to any of the Directors during or since the financial year (30 June 2022 – Nil).

17. INSURANCE OF OFFICERS AND/OR AUDITORS

During the financial year, the Company insured the Directors and Officers against certain liabilities as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

The Company has entered into an agreement for the purpose of indemnifying Directors and Officers, to the extent permitted by law, against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as a Director and Officer of the Company.

The Company has not during or since the financial year indemnified or paid any insurance premiums to indemnify the auditors.

18. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceeding to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

19. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (rounding in Financials/ Directors' Report). Accordingly, amounts in the Financial Statements and Directors' Report have been rounded to the nearest \$1,000.

20. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

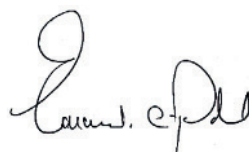
There have been no amounts paid or payable to the auditors for non-audit services provided during the year.

The Directors have considered the position and are satisfied that the provision of any non-audit services (if necessary in future) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Audit and Risk Committee is satisfied that the provision of any non-audit services by the auditor, would not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services would be reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporation Act 2001* is set out on page 13.

This report is made in accordance with a resolution of the Directors.



Dr Emmanuel (Manny) C Pohl AM
Managing Director
9 August 2023

AUDITOR'S INDEPENDENCE DECLARATION



FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

**AUDITOR'S INDEPENDENCE DECLARATION UNDER
SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF FLAGSHIP INVESTMENTS LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2023, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

CONNECT NATIONAL AUDIT PTY LTD
Authorised Audit Company No. 521888

A handwritten signature in blue ink, appearing to read 'G. Georgiou', is placed above the name of the Managing Director.

GEORGE GEORGIOU FCA
MANAGING DIRECTOR

Dated this 9th day of August, 2023.

Connect National Audit Pty Ltd is an Authorised Audit Company

ABN 43 605 713 040

Head Office: Level 14, 333 Collins St, Melbourne VIC 3000

Gold Coast Office: Level 9, Wyndham Corporate Centre, 1 Corporate Court, BUNDALL,
QUEENSLAND, 4217

Sydney Office: Level 5, 20 Bond Street, Sydney NSW 2000

Liability limited by a scheme approved under Professional Standards Legislation

w: www.connectaudit.com.au

CORPORATE GOVERNANCE SUMMARY: FOR THE YEAR ENDED 30 June 2023

The Directors of Flagship Investments Ltd are committed to excellence in corporate governance. By adopting the ASX Corporate Governance Council's Corporate Governance Principles and incorporating industry best practice, the Company has built a framework that supports our business performance and enhances transparency and accountability which ultimately protects the interests of Shareholders.

Below is a list of the Company's Corporate Governance Framework documents set out against the relevant ASX Governance Principles and Recommendations (4th Edition), the details of which are available on the Company's Website. The full Corporate Governance Statement for the year ending 30 June 2023 is also available on the website, at www.flagshipinvestments.com.au/corporate-governance/

ASX GOVERNANCE PRINCIPLES	RELEVANT DOCUMENT/INFORMATION
Principle 1: Lay solid foundations for management and oversight	Board Charter Diversity Policy
Principle 2: Structure the Board to be effective and add value	Board Charter Diversity Policy
Principle 3: Instil a culture of acting lawfully, ethically and responsibly	Statement of Values Code of Conduct Whistleblower Policy
Principle 4: Safeguard the integrity of corporate reports	Audit and Risk Committee Charter Code of Conduct
Principle 5: Make timely and balanced disclosure	Disclosure Policy Communications Policy
Principle 6: Respect the rights of security-holders	Communications Policy Privacy Policy
Principle 7: Recognise and manage risk	Audit and Risk Committee Charter Risk Management Policy
Principle 8: Remunerate fairly and responsibly	Board Charter

The Corporate Governance Statement explains the extent to which the Company complies with the ASX Corporate Governance Principles and Recommendations including how the policies above support Corporate Governance in the Company. Under the “if not, why not” approach the Board provides explanations as to why a particular recommendation is not appropriate to its circumstances. For clarity, the Board would like to highlight below the recommendations that have not been adopted and the reasons behind the decision:

ASX GOVERNANCE PRINCIPLES	COMPLIANCE STATEMENT
Principle 1: Lay solid foundations for management and oversight	Compliant
Principle 2: Structure the Board to be effective add value Recommendation 2.1: Establish a Nomination Committee	Compliant except for 2.1: Non-Compliant The Company does not have a Nomination Committee given the size of the Board. The full Board maintains responsibility for nomination of Directors and succession planning.
Principle 3: Instill a culture of acting lawfully, ethically and responsibly	Compliant
Principle 4: Safeguard integrity of corporate reports	Compliant
Principle 5: Make timely and balanced disclosure	Compliant
Principle 6: Respect the rights of security-holders	Compliant
Principle 7: Recognise and manage risk Recommendation 7.3: Internal audit function	Compliant except for 7.3: Non-Compliant The Company does not have an internal audit function given the nature of the Company. Instead, the Board, through the Audit and Risk Committee, liaises closely with the Company’s external auditor to identify potential improvements to the Financial risk management and internal control process. The Audit and Risk Committee also interrogate the internal compliance and external audit of the Manager.
Principle 8: Remunerate fairly and responsibly Recommendation 8.1 Remuneration Committee Recommendation 8.3: Equity-based remuneration	Compliant except for 8.1 and 8.3 Non-Compliant The Company does not have a Remuneration Committee. Instead the full Board develops the remuneration policy balancing the need to attract high quality Directors, establishing appropriate incentives and commercial control of expenses. Not Applicable The Company does not have an equity-based remuneration scheme and does not intend to establish one. Recommendation 8.3 is not applicable.

FINANCIAL REPORT

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This Financial Report covers Flagship Investments Limited as an individual entity. There are no controlled entities.

Flagship Investments Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Flagship Investments Limited
Level 12
Corporate Centre One
2 Corporate Court
BUNDALL QLD 4217

The Financial Report was authorised for issue by the Directors on 9 August 2023.

A description of the nature of the Company's operations and its principal activities is included in the Operating and Financial Review.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All media releases, Financial Reports and other information are available from the Company at the above address or from our website:

www.flagshipinvestments.com.au

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
Other Income	5	1,794	1,847
Other expenses	6	(402)	(463)
Operating Profit		1,392	1,384
Fair value change in Derivatives	14	-	2,047
Finance Expense	14	(1,737)	(1,260)
Performance Fee	24	(1,061)	-
Profit/(Loss) before income tax		(1,406)	2,171
Income tax credit	7(a)	599	403
Profit/(Loss) for the year		(807)	2,574
Other Comprehensive Income, net of income tax			
Items that will not be reclassified subsequently to profit & loss			
Changes in fair value of Financial Assets at fair value through Other Comprehensive Income		8,683	(20,723)
Income Tax (Expense)/Benefit relating to components of Other Comprehensive Income	7(c)	(2,605)	6,214
Other Comprehensive Income for the year, net of tax		6,078	(14,509)
Total Comprehensive Income for the year		5,271	(11,935)
Earnings per share:			
		Cents	Cents
Basic earnings per share	18(b)	(3.1)	10.0
Diluted earnings per share	18(b)	1.8	5.2
Comprehensive earnings per share	18(b)	20.4	(46.2)

The accompanying Notes form part of these Financial Statements.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
Cash and Cash Equivalents	8	1,739	4,925
Trade Receivables and Other Assets	9	150	175
Intangible Assets	10	5	5
Financial Assets at fair value through Other Comprehensive Income	11	71,770	63,649
TOTAL ASSETS		73,664	68,754
LIABILITIES			
Trade and Other Payables	12	1,085	680
Tax Payable	13	879	953
Deferred Tax Liability	13	1,238	112
Convertible notes	14	18,025	17,387
TOTAL LIABILITIES		21,227	19,132
NET ASSETS		52,437	49,622
EQUITY			
Issued Capital	15	36,488	36,488
Other Reserves	16	13,405	9,783
Option premium on convertible notes		507	507
Retained Earnings		2,037	2,844
TOTAL EQUITY		52,437	49,622

The accompanying Notes form part of these Financial Statements.

FLAGSHIP INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2023

2022	Note	Ordinary Shares	Retained Earnings	Asset Revaluation Reserve	Asset Realisation Reserve	Option Premium on Convertible Notes	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2021		36,179	270	17,869	8,806	-	63,124
Profit or loss attributable to members		-	2,574	-	-	-	2,574
Other Comprehensive Income		-	-	(14,509)	-	-	(14,509)
Transfer to Asset Realisation Reserve		-	-	(2,806)	2,806	-	-
Convertible Notes Issued		-	-	-	-	507	507
Shares issued via dividend reinvestment plan net of costs	15(c)	309	-	-	-	-	309
Dividends paid or provided for	17(a)	-	-	-	(2,383)	-	(2,383)
Balance at 30 June 2022		36,488	2,844	554	9,229	507	49,622

2023	Note	Ordinary Shares	Retained Earnings	Asset Revaluation Reserve	Asset Realisation Reserve	Option Premium on Convertible Notes	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2022		36,488	2,844	554	9,229	507	49,622
Profit or loss attributable to members		-	(807)	-	-	-	(807)
Other Comprehensive Income		-	-	6,078	-	-	6,078
Transfer to Asset Realisation Reserve		-	-	(3,513)	3,513	-	-
Dividends paid or provided for	17(a)	-	-	-	(2,456)	-	(2,456)
Balance at 30 June 2023		36,488	2,037	3,119	10,286	507	52,437

The accompanying Notes form part of these Financial Statements.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		1,738	1,869
Interest Received		80	1
Payments to suppliers and employees		(411)	(3,764)
Interest paid on convertible notes		(1,099)	(814)
Net cash provided by/(used in) operating activities	26	308	(2,708)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		22,116	25,876
Income tax paid on gains on sale of investments		(953)	(355)
Payments for investments		(22,201)	(38,302)
Net cash used in investing activities		(1,038)	(12,781)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	17(a)	(2,456)	(2,071)
Share issue costs	17(a)	-	(3)
Net proceeds from issue of convertible notes	14	-	19,427
Net cash provided by/(used in) financing activities		(2,456)	17,353
Net increase/(decrease) in cash and cash equivalents		(3,186)	1,864
Cash and cash equivalents at the beginning of the year		4,925	3,061
Cash and cash equivalents at end of year	8	1,739	4,925

The accompanying Notes form part of these Financial Statements.

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

The functional and presentation currency of Flagship Investments Limited is Australian dollars.

The Company is an entity to which ASIC Corporations Instrument 2016/191 (rounding in Financials / Directors' Report) applies and accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

1. BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements and associated notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below. There are no changes in existing accounting policies that apply for the year ended 30 June 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Balance Sheet Format

The Statement of Financial Position is in a liquidity format. The adoption of a liquidity format results in the removal of the terms "current asset" and "non-current asset" from the Statement of Financial Position, in favour of the general term "assets".

(b) Revenue and Other Income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of Goods and Services Tax.

Interest Revenue

Interest is recognised using the effective interest method.

Dividend Revenue

Dividends are recognised when the Company's right to receive payment is established.

(c) Income Tax

The income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in Other Comprehensive Income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(d) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows in the Statement of Cash Flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Intangible Assets - Trademarks

Trademarks are considered intangible assets with indefinite useful lives. Trademarks are initially recognised at cost and are reviewed for impairment annually or whenever there is an indication of impairment.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(g) Trade and Other Payables

Liabilities for trade payables and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

(h) Financial Instruments

Financial Assets At Fair Value Through Profit Or Loss

Financial assets at fair value through Profit or Loss are Financial Instruments convertible into Equity Instruments. A financial asset is classified in this category if it is so designated by Management and within the requirement of AASB 9 Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise.

Financial Assets At Fair Value Through Other Comprehensive Income

The Company is a long-term investor in equity instruments. Under AASB 9, these investments are classified as fair value through Other Comprehensive Income. After initial recognition at fair value (being cost), the Company has elected to present in Other Comprehensive Income changes in fair value of equity instruments investments.

Unrealised gains and losses on investments are recognised in the Asset Revaluation Reserve until the investment is sold or otherwise disposed of, at which time the cumulative gain or loss is transferred to the Asset Realisation Reserve.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 9. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the revaluation reserve to the realisation reserve.

Loans and Receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due, according to the original terms of the receivables.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the Company is the closing quoted price.

The appropriate quoted market price for financial liabilities is the closing quoted price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Convertible Notes

On the 1st of October 2021, the Company issued 7,407,407 Convertible Notes. These compound financial instruments are able to be converted to ordinary shares at the option of the noteholder in accordance with the Note Terms. The liability component is initially recognised as the difference between the compound financial instrument as a whole and the component associated with the conversion feature. Initially the conversion option was considered a derivative liability measured at fair value using observable inputs. The attributable transaction costs are allocated to the liability and derivative components in proportion to their carrying amounts, the derivative portion immediately recognised in the statement of profit or loss.

On 17 June 2022 there was an amendment to the conversion price features of the Note Terms and the conversion option was reclassified as equity. Prior to reclassification the conversion option was remeasured to fair value with the change recognised in the statement of profit or loss.

After initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method until extinguished on conversion or maturity of the notes. The carrying amount of the equity component is not remeasured in subsequent periods.

(i) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions for Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(j) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2023

(k) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

AASB 17 Insurance Contracts	1 Jan 2023	AASB 17 Insurance replaces three standards that currently deal with insurance: definitions of insurance (AASB 4), general insurance (AASB 1023) and life insurance (AASB 1038). The concept behind the standard is to account for profit from insurance contracts in a way that considers risk associated with an insurance contract. There are three methods of accounting under the new standard, with the applicable method determined by the nature of the insurance contracts issued.	The impact of AASB 17 will not have an impact on the Company.
AASB 2020-1 Amendment to Classification of Liabilities as Current or Non-Current	1 Jan 2024	AASB 2020-1 & AASB 2022-6 were introduced to deal with liability classification issues relating to the right to defer settlement need not be unconditional and must exist at the end of the reporting period, classification based on rights to defer (not intention), liabilities settled by transferring own equity instruments prior to maturity, and additional disclosures where right to defer settlement is subject to entity complying with covenants within 12 months after the reporting period.	The amendment will not have an impact on the Company.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key Estimates

The option feature of the convertible notes was valued using the Black Scholes Method. Key inputs into the calculation include observable data such as dividend yield, share price and exercise price as well as assumptions of stock price volatility (27.5% based on the annualised standard deviation of daily market movement averaged between a three and five year period) and risk free rate of return (based off the five year bond rate at the date of measurement).

There are no other key assumptions or sources of estimation uncertainty that have a risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period, as investments are carried at their market value.

(b) Key Judgements

The preparation of Financial Reports in conformity with Australian Account Standards require the use of certain critical accounting estimates. This requires the Board to exercise their judgement in the process of applying the Company's accounting policies.

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112 Income Taxes, deferred tax liabilities and deferred tax assets have been recognised for Capital Gains Tax (CGT) on the unrealised gains/losses in the investment portfolio at current tax rates.

As the Directors do not intend to dispose of the portfolio, the tax liability/benefit may not be crystallised at the amount disclosed in Note: 12.

In addition, the tax liability/benefit that arises on the disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains/losses at the time of disposal.

The Company has an investment process which is anticipated will deliver medium to long-term capital growth.

The Company does not recognise a deferred tax asset when there are net unrealised losses in the portfolio from short term market fluctuations. The Company holds investments with a three to five-year horizon and therefore the short term tax loss is unlikely to be realised.

The Company does not hold any securities for short term trading purposes. Therefore, the investment portfolio is classified as Financial Assets at fair value through Other Comprehensive Income.

4. OPERATING SEGMENTS

Segment Information

The Company operates in the Investment Industry. Its core business focuses on investing in Australian equities to achieve medium to long-term capital growth and income.

Operating segments have been determined on the basis of reports reviewed by the Managing Director. The Managing Director is considered to be the chief operating decision maker of the Company. The Managing Director considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis. The Managing Director considers the business to consist of just one reportable segment.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
5. REVENUE AND OTHER INCOME			
Dividends Received		1,712	1,846
Interest Received		82	1
		1,794	1,847
6. OTHER EXPENSES			
ASX listing and other fees		47	45
Audit fees		26	26
Directors fees		127	127
Insurance		41	39
Marketing		64	49
Share registry		29	28
Convertible Note Trustee		51	43
Other		17	106
		402	463
7. INCOME TAX EXPENSE			
(a) Reconciliation of income tax to accounting profit			
Profit/(Loss) before income tax		(1,406)	2,171
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2022 - 30%)		(422)	651
Add Tax effect of:			
- Fully franked dividends received and timing differences		158	35
- Fair value change in derivative liability		-	(614)
- Amortised convertible note expense		191	132
Less Tax effect of:			
- Rebateable fully franked dividends		452	568
- Other foreign tax credit		74	39
Income tax credit		(599)	(403)
(b) The major components of tax (expense)/credit comprise:			
Current tax credit		626	253
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	13.a	(35)	145
Decrease in deferred tax liabilities	13.b	8	5
Income tax credit for continuing operations		599	403
(c) The major components of tax expense relating to Other Comprehensive Income			
Current tax expense		(1,506)	(1,206)
Deferred income tax expense:			
(Decrease)/increase in deferred tax assets	13.a	-	-
Decrease/(increase) in deferred tax liabilities	13.b	(1,099)	7,420
Income tax (expense)/credit for Other Comprehensive Income		(2,605)	6,214

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$'000	2022 \$'000
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8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,739	4,925
	1,739	4,925

Reconciliation of cash

Cash and Cash Equivalents reported in the Statement of Cash Flows are reconciled to the equivalent items in the Statement of Financial Position as follows:

Cash at bank and on hand	1,739	4,925
Balance as per Statement of Cash Flows	1,739	4,925

9. TRADE RECEIVABLES AND OTHER ASSETS

CURRENT		
Receivables	97	121
Prepayments	46	46
GST receivable	7	8
Total current trade and other receivables	150	175

10. INTANGIBLE ASSETS

Trademarks	5	5
Total Intangible Assets	5	5

11. OTHER FINANCIAL ASSETS

Financial Assets at Fair Value Through Other Comprehensive Income

At beginning of year	63,649	71,536
Additions (at cost)	21,554	39,407
Revaluation	8,683	(20,723)
Disposals (at sale value)	(22,116)	(26,571)
Australian listed equity securities	71,770	63,649

For listed equity securities, fair value is determined by reference to closing bid prices on the Australian Securities Exchange.

12. TRADE AND OTHER PAYABLES

CURRENT		
Accounts payable and accrued expenses	1,085	680
	1,085	680

Contractual cash flows from trade and other payables approximate their carrying amount. Trade and other payables are all contractually due within six months of reporting date

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
13. TAX			
Current Year Tax Payable		879	953
Total Tax Payable		879	953
Deferred Tax Assets	13.a	(117)	(152)
Deferred Tax Liabilities	13.b	1,355	264
Net deferred tax liabilities adjusted for deferred tax assets		1,238	112
(a) Reconciliations – Deferred Tax Assets			
Gross Movements:			
The overall movement in deferred tax asset accounts is as follows:			
Opening balance		152	7
(Charged)/credited to profit or loss		(35)	145
(Charged)/credited to Other Comprehensive Income		-	-
Closing balance		117	152
The movement in deferred tax assets for each temporary difference during the year is as follows:			
<i>(i) Accruals</i>			
Opening balance		5	5
(Charged)/credited to profit or loss		-	-
Closing Balance		5	5
<i>(ii) Capital Raising Costs</i>			
Opening balance		147	2
(Charged)/credited to profit or loss		(35)	145
Closing Balance		112	147
(b) Reconciliations – Deferred Tax Liabilities			
Gross Movements:			
The overall movement in the deferred tax liability account is as follows:			
Opening balance		264	7,689
Credited to profit or loss		(8)	(5)
Charged/(credited) to Other Comprehensive Income		1,099	(7,420)
Closing balance		1,355	264
The movement in deferred tax liability for each temporary difference during the year is as follows:			
<i>(i) Unrealised gain on Financial Assets on fair value</i>			
Opening balance		238	7,658
Charged/(credited) to Other Comprehensive Income		1,099	(7,420)
Closing balance		1,337	238
<i>(ii) Unfranked dividend and interest receivable</i>			
Opening balance		26	31
Credited to Profit and Loss		(8)	(5)
Closing balance		18	26

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$'000	\$'000

14. CONVERTIBLE NOTES

On the 1st of October 2021, the Company issued 7,407,407 listed, unsecured, redeemable, convertible notes (ASX: FSIGA) raising a total of \$20.0 million. The convertible notes carry a fixed interest entitlement of 5.5% per annum paid quarterly with a step-up to 6.5% per annum on 30 September 2024 if the 2-year bank bill swap rate is above 1.2832%. At any time after the second anniversary of the issue date and before 10 days before maturity, the notes can be converted to ordinary shares on a one for one basis - alternatively the note capital will be repaid on the maturity date - 1 October 2026.

Opening Balance	17,387	-
Proceeds from issue of convertible notes (7,407,407 notes at \$2.70)	-	20,000
Transaction costs	-	(573)
Net proceeds	-	19,427
Initial Recognition – Conversion Feature	-	(2,481)
Finance Expense	1,737	1,260
Interest paid to note holders	(1,099)	(819)
Total Convertible Note Liability	18,025	17,387

Conversion Feature

Initial Recognition – Derivative liability	-	2,481
Prorata allocation of transaction costs recognised in profit or loss	-	73
Fair value adjustment	-	(2,047)
Reclassification to equity*	-	(507)
Derivative liability	-	-

*Note terms amended on 17 June 2022 triggering reclassification of derivative liability to equity.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$'000	\$'000

15. ISSUED CAPITAL

(a) Share Capital

Ordinary shares Fully Paid 25,857,263 (2022: 25,857,263)	36,488	36,488
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(b) Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.
At the Shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

(c) Movements in ordinary share capital

Date	Details	Number of shares	Price \$'s	\$'000
30 June 2021	Balance	25,730,259		36,179
20 August 2021	Dividend reinvestment plan	62,461	\$2.5230	158
24 February 2022	Dividend reinvestment plan	64,543	\$2.3919	154
	Share issue costs	-	-	(3)
30 June 2022	Balance	25,857,263		36,488
	Nil Movement *	-	-	-
30 June 2023	Balance	25,857,263		36,488

* The Dividend reinvestment plan was facilitated through on-market purchase of shares in FY2023.

	2023	2022
	\$'000	\$'000

16. RESERVES

(a) Asset Revaluation Reserve	3,120	554
The Asset Revaluation Reserve records fair value movements of long-term investments after provision for deferred tax. When an investment has been sold or de-recognised, the realised gains and losses (after tax) are transferred from the Asset Revaluation Reserve to the Asset Realisation Reserve.		
(b) Asset Realisation Reserve	10,285	9,229
The Asset Realisation Reserve records realised gains and losses from the sale of investments which are transferred from the Asset Revaluation Reserve, net of dividends paid from reserves.		

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$'000	\$'000

17. DIVIDENDS

(a) Dividends and distributions paid

The following dividends were declared and paid:

Final fully franked ordinary dividend of 4.75 cents (2022 – 4.75 cents) per share paid on 26 August 2022 (2022 – 20 August 2021)	1,228	1,222
Interim fully franked ordinary dividend of 4.75 cents (2022 – 4.5 cents) per share paid on 23 February 2023 (2022 – 24 February 2022)	1,228	1,161
Total	2,456	2,383

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2023 and 2022 were as follows:

Paid in cash	2,139	2,071
Satisfied by issue of shares	-	312
Purchase of shares on market on behalf of Shareholders per DRP rules	317	-
Total	2,456	2,383

(b) Proposed dividends

Proposed final 2023 fully franked ordinary dividend of 4.9 cents per share to be paid (2022: 4.75 cents)	1,267	1,228
Total Proposed Dividend	1,267	1,228

The proposed final dividend for FY2023 was declared after the end of the reporting period and therefore has not been provided for in the financial statements. There are no income tax consequences arising from this dividend at 30 June 2023.

(c) Franked dividends

The franking credits available for subsequent financial years at a tax rate of 30%	3,981	3,629
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The dividend franking account is calculated on a cash basis. It does not take into account:

- (a) Franking credits that will arise from the payment of the current tax liabilities;
- (b) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The impact on the franking credit of the dividends proposed after the end of the reporting period is to reduce it by \$543,003 (2022: \$526,380).

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$'000	2022 \$'000
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17. DIVIDENDS (continued)

(d) Listed Investment Company capital gain account

Balance of the Listed Investment Company (LIC) capital gain account	2,306	2,710
---------------------------------------------------------------------	-------	-------

LIC Capital Gains are generated from tax paid on the realised gains of assets that have been held for 12 months. LIC Capital Gains are attached or *attributed* to dividends and enable some Shareholders to claim a deduction in their tax return.

The deductions are generally as follows (please consult your tax advisor for details):

1. For an individual – 50% of the attributable amount
2. If the beneficiary of a trust or partner of a partnership is an individual – 50% of the attributable amount
3. For a complying superannuation entity (eg SMSF) – 33 1/3% of the attributable amount
4. If you are a company or a company is the beneficiary of a trust or partnership – 0%

18. EARNINGS PER SHARE

(a) Earnings used in the calculation of basic and diluted earnings per share.

(i) Profit/(loss) from continuing operations attributable to the owners of the Company	(807)	2,574
Adjustment: items in profit or loss relating to Convertible notes	1,408	(959)
(ii) Diluted Profit from continuing operations attributable to the owners of the Company	601	1,615
(iii) Total Comprehensive Income	5,271	(11,935)

(b) Basic and Diluted earnings per share

	Cents	Cents
(i) Profit/(loss) from continuing operations attributable to the owners of the Company	(3.1)	10.0
(ii) Diluted Profit from continuing operations attributable to the owners of the Company	1.8	5.2
(iii) Total Comprehensive Income	20.4	(46.2)
Total Comprehensive Income is a more appropriate base for determining earnings per share as it includes profit after income tax and changes in fair value of financial assets		

(c) Weighted average number of ordinary shares

	#Shares	#Shares
(i) Weighted average number of ordinary shares used in the calculation of earnings per share	25,857,263	25,806,482
Effect of dilution from convertible notes	7,407,407	5,535,205
(ii) Weighted average number of ordinary shares used in the calculation of diluted earnings per share	33,264,670	31,341,687

19. AUDITOR'S REMUNERATION

Remuneration of the auditor of the Company for:

Audit or reviewing the financial statements	26	26
Total remuneration of auditors	26	26

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

20. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management program focuses on the volatility of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not speculate in financial assets. Risk governance is managed through the Board which provides direct oversight on the Company's risk management framework and overall risk management performance.

The Board provides written principles for risk management covering investment portfolio composition as outlined in the Investment Mandate. Risk is managed by the professional, disciplined management of the investment portfolio by EC Pohl & Co Pty Ltd (the Manager).

The Company held the following financial instruments:

	2023	2022
	\$'000	\$'000
Financial Assets		
Cash and cash equivalents	1,739	4,925
Receivables	103	129
Financial Assets at fair value through Other Comprehensive Income	71,770	63,649
Total Financial Assets	73,612	68,703
Financial Liabilities		
Trade and Other Payables	1,085	680
Total Financial Liabilities	1,085	680

(a) Market Risk

Foreign exchange risk

The Company operates entirely within Australia and is not exposed to material foreign exchange risk.

Equity market risk

The Company is exposed to risk of market price movement through its investments in Australian listed equity securities. Equity investments held by the Company are classified on the Statement of Financial Position as Financial Assets at fair value through Other Comprehensive Income and any movement in the listed equity securities is reflected in Other Comprehensive Income.

The risk to Shareholders is that adverse equity securities market movements have the potential to cause losses in Company earnings or the value of its holdings of financial instruments. The Manager's investment strategy centres on the view that investing in proven high quality businesses with growth opportunities arising from their sustainable competitive advantage will outperform over the longer-term. Consistent with this approach, the Manager has an established risk management framework that includes procedures, policies and functions to ensure constant monitoring of the quality of the investee companies. The objective of the risk management framework is to manage and control risk exposures within acceptable parameters while optimising returns.

Equity market risk is measured as a percentage change in the value of equity instruments held in the portfolio, as compared to the total market index for the same period.

The Company's exposure to equity market risk over the Manager's investment horizon at the end of the reporting period is:

	2023	2022
Portfolio five-year return	10.1%	11.0%
All Ordinaries Index five-year return	3.3%	3.2%

(b) Sensitivity Analysis

Increases/decreases in an equity security's prices, affect the Company's asset revaluation reserve and Other Comprehensive Income for the year. The analysis is based on the assumption that the Financial Assets at fair value through Other Comprehensive Income had increased/decreased by 5% (2022 - 5%) with all other variables held constant.

Impact on Equity and Other Comprehensive Income for the year:

2023 +/- \$3,588,000

2022 +/- \$3,182,000

Impact on profit or loss is nil.

(c) Cash Flow Interest Rate Risk

The convertible notes issued by the Company have a fixed interest rate coupon of 5.5% per annum with a single step up to 6.5% per annum at 30 September 2024 if the 2-year bank bill swap rate is above 1.2832%.

The Company is exposed to cash flow interest rate risk from holding cash and cash equivalents at variable rates. Revenue from interest forms a very minor portion of the Company's income and therefore exposure to interest rate risk is not significant.

As at the reporting date, the Company had the following cash and cash equivalents:

30 June 2023: Balance \$1,739,000

Weighted average interest rate 2.5%

30 June 2022: Balance \$4,925,000

Weighted average interest rate 0.0%

(d) Relative Performance Risk

The Manager aims to outperform the risk-free cash rate over the long-term. However, as the portfolio consists of equity investments these will tend to be more volatile than cash, so there will likely be periods of relative under and over performance compared to the benchmark risk free rate.

Over the long-term the Manager is confident that the portfolio can achieve outperformance through an investment selection process that invests in companies that have a sound business model, display a sustainable competitive advantage and have proven quality management.

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(e) Credit Risk

Credit risk is the risk of a counterparty defaulting on their financial obligations resulting in a loss to the Company. The objective of the Company is to minimise credit risk exposure. Credit risk arises from cash and cash equivalents and Financial Assets at fair value through Other Comprehensive Income. Credit risk is managed by the Manager.

Credit risk arising from cash and cash equivalents is managed by only transacting with counterparties independently rated with a minimum rating of A. The providers of financial services to the Company are rated as AA by Standard and Poor's. Credit risk on cash and cash equivalents is deemed to be low.

Credit risk arising from Financial Assets at fair value through Other Comprehensive Income relates to the risk of counterparties on the ASX defaulting on their financial obligations on transactions for Australian listed equity securities. The credit risk for these transactions is deemed to be low.

The maximum credit risk exposure of the Company at year end is the carrying value of the assets in the Statement of Financial Position.

There is no concentration of credit risk with respect to financial assets in the Statement of Financial Position.

(f) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The objective of the Company is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable Australian listed equity securities.

The Manager controls liquidity risk by continuously monitoring the balance between equity securities and cash or cash equivalents and the maturity profiles of assets and liabilities to ensure this risk is minimal.

21. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Company consists of equity attributable to members of the Company. The Board monitors the return on capital, which is defined as net operating income divided by total Shareholders' Equity. The Board also monitors the level of dividends to Shareholders.

The capital of the Company is invested by the Investment Manager in accordance with the investment policy established by the Board. The Company has no borrowings beyond the convertible notes issued in October 2021. It is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

22. FAIR VALUE MEASUREMENTS

The Company measures the following assets and liabilities at fair value on a recurring basis:

- Financial Assets at fair value through Other Comprehensive Income.
- Financial Assets At fair value through Profit or Loss.

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Company:

	Level 1	Level 2	Level 3	TOTAL
30 June 2023	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Financial Assets				
-Listed Equity Securities	71,770	-	-	71,770
30 June 2022	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Financial Assets				
-Listed Equity Securities	63,649	-	-	63,649

Transfers between levels of hierarchy:

There were no transfers between levels of the fair value hierarchy.

Highest and best use:

The current use of each asset measured at fair value is considered to be its highest and best use.

FLAGSHIP INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$'000	2022 \$'000
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23. RELATED PARTY TRANSACTIONS

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with other related parties:

EC Pohl & Co Pty Ltd for Performance Fee

• A Performance Fee may be payable in accordance with the Management Services Agreement as detailed in Note 24.	1,060	-
• Dr E C Pohl AM has an interest in the transaction as during the year Dr E C Pohl AM was a Director, employee and Shareholder of EC Pohl & Co Pty Ltd.		

McCullough Robertson Lawyers for the provision of legal services.

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D M McGann is a partner of McCullough Robertson Lawyers.

Allegiant IRS for insurance advice for D & O Policy.

2 2

The company is owned by McCullough Robertson Lawyers, of which D M McGann is a partner.

All related party transactions are made on an arms-length basis using the standard terms and conditions.

24. MANAGEMENT SERVICES AGREEMENT

In accordance with a Management Services Agreement, the Company has agreed to engage the Manager to provide primary and secondary management services, including:

- 1) managing the investment of the Company's portfolio, including keeping it under review;
- 2) ensuring investments by the Company are only made in authorised investments;
- 3) complying with the investment policy of the Company;
- 4) identifying, evaluating and implementing the acquisition and disposal of authorised investments;
- 5) provide the Company with monthly investment performance reporting;
- 6) manage the Company's public and regulatory announcements and notices;
- 7) promoting investment in the Company by the general investment community;
- 8) providing investor relationship services; and
- 9) provision of accounting, human resources, corporate and information technology services support.

In August 2020 it was agreed that the agreement be extended for a term of five years.

The agreement may be terminated if:

- a) either party ceases to carry on business, or
- b) either party enters into liquidation voluntarily or otherwise, or
- c) either party passes any resolution for voluntary winding-up, or
- d) a receiver of the property of either party, or any part thereof, is appointed, or
- e) the Shareholders of the Company at an abnormal meeting called in for that purpose, resolve by binding resolution to terminate the operations, or
- f) if the Company provides written notice to the Manager in the event of any material and substantial breach of the agreement by the Manager or if the Manager fails to remedy a breach of this agreement within 14 days following written notice of the breach.
- g) if the Manager provides written notice to the Company in the event of any material and substantial breach of the agreement by the Company or if the Company fails to remedy a breach of this agreement within 14 days following written notice of the breach.
- h) In recognition of the roles and personal expertise of senior executives retained by the Manager for the purpose of providing the primary services described in clause 3 of the Agreement, the parties agree that the agreement may be terminated, at the option of the Company, if there are major changes to senior executives (or their roles) providing the primary services. The Company shall be entitled to give the Manager a written termination notice upon or after the occurrence of a major change of the kind mentioned and such notice, if given, shall be effective at the end of the next calendar month following the giving of such notice unless the Company and the Manager mutually agree upon another date at which this agreement will terminate.

Under the agreement the Manager will receive a performance fee, payable annually in arrears, equal to 15% of the amount by which the Company's net performance before tax (that is, after all costs and outlays but before the calculation of the performance fee) exceeds the interest rate payable on bank bills as represented by the Bloomberg Bank Bill Index for that year. If the Company's net performance in the year is less than the interest rate payable on bank bills as represented by the Bloomberg Bank Bill Index for that year, then no performance fee will be payable. Under the terms of this agreement \$1,060,779 performance fee expense was recognised during the year ended 30 June 2023 (2022 - Nil).

FINANCIAL REPORT (continued)

FLAGSHIP INVESTMENTS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$'000	2022 \$'000
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25. KEY MANAGEMENT PERSONNEL DISCLOSURES

As per the Management Services Agreement, the Company's Secretary and Chief Financial Officer, Mr Scott Barrett is engaged and remunerated by the Manager, EC Pohl & Co Pty Ltd. These roles do not receive any form of direct remuneration from the Company.

The Company has no other staff and therefore has no Key Management Personnel other than the Directors.

No member of Key Management Personnel held options over shares in the Company during the year.

There have been no other transactions with Key Management Personnel or their related entities other than those disclosed in Note 23.

The totals of remuneration paid to the key management personnel of Flagship Investments Limited during the year are as follows:

Short-term Employment benefits paid to the Directors	127	127
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Detailed remuneration disclosures are provided in sections (A) – (F) of the Remuneration Report on pages 11 and 12.

26. CASH FLOW INFORMATION

Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

Profit for the year	(807)	2,574
Cash flows attributed to profit excluded from operating activities		
- Interest expense on convertible notes	638	441
- Fair value change in derivatives	-	(2,047)
- Convertible note transaction costs	-	73
Changes in assets and liabilities		
- decrease in trade and other receivables	25	14
- decrease in current tax liabilities	(626)	(253)
- increase/(decrease) in net deferred tax liabilities	27	(150)
- increase/(decrease) in trade and other payables	1,051	(3,359)
Cash flow from operations	308	(2,708)

27. CONTINGENCIES

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2023 (30 June 2022: None).

28. EVENTS OCCURRING AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Subsequent to year-end on 10 August 2023, the Directors declared a final 2023 fully franked ordinary share dividend of 4.9 cents per share.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (a) the Financial Statements and Notes set out on pages 16 to 34 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date; and

in the Directors' opinion,

- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the remuneration disclosures set out on pages 11 and 12 of the Directors' Report (as part of the audited remuneration report) for the year ended 30 June 2023 comply with section 300A of the *Corporations Act 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:



Dr Emmanuel (Manny) C Pohl AM
Managing Director

9 August 2023

INDEPENDENT AUDITOR'S REPORT



FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED
(Page 1 of 4)

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Flagship Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial report of Flagship Investments Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Connect National Audit Pty Ltd is an Authorised Audit Company

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INDEPENDENT AUDITOR'S REPORT (continued)



FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED (Page 2 of 4)

KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN OUR AUDIT
Financial Assets at Fair Value Through Other Comprehensive Income Refer to Notes 2(h) and 11 to the financial statements	
<p>As at 30 June 2023 the Company's statement of financial position includes financial assets at fair value through other comprehensive income of \$71,770,000.</p> <p>The Company is a long-term investor in equity instruments which are classified at fair value through other Comprehensive Income. Initial recognition is at fair value (being cost) with the Company electing to present in other Comprehensive Income changes in the fair value of the investments.</p> <p>We focused on this area as a key audit matter due to the amounts involved being material.</p>	<p>Our procedures included, inter alia:</p> <ul style="list-style-type: none"> Inspecting externally prepared documentation to verify the valuation of the portfolio as at 30 June 2023. Randomly and judgmentally selecting investments and agreeing dividends and closing market value to third party evidence. Recalculating the movement in fair value for the year. Review of the appropriateness of the Company's disclosures in the financial report in accordance with AASB 7 and AASB 9.
Tax and Income Tax Expense Refer to Note 7 and 13 to the financial statements	
<p>The Company recognises the deferred tax liability as a net amount adjusted for deferred tax assets. As at 30 June 2023 the net deferred tax liability included in the statement of financial position amounted to \$1,238,000.</p> <p>Current tax payable as at 30 June 2023 included in the statement of financial position amounted to \$879,000.</p> <p>We focused on this area as a key audit matter due to the amounts involved being material.</p>	<p>Our procedures included, inter alia:</p> <ul style="list-style-type: none"> Reviewing the Company's taxation calculations for accuracy, completeness and compliance with AASB 112. Review of the appropriateness of the Company's disclosures in the financial report in accordance with AASB 112.
Performance fee Refer to Notes 23 and 24 to the financial statements.	
<p>For the year ended 30 June 2023 the Company's statement of profit or loss and other comprehensive income includes the performance fee of \$1,061,000.</p> <p>In accordance with a management service agreement the Company pays a performance fee to a related party to engage a manager to provide primary and secondary management services.</p> <p>We focused on this area as a key audit matter due to the nature of the relationship and the change in the amount from the prior year.</p>	<p>Our procedures included, inter alia:</p> <ul style="list-style-type: none"> Reviewing the management service agreement Review of the appropriateness of the Company's disclosures in the financial report in accordance with AASB 124.
Convertible Note – Host Debt Subsequent Valuation Refer to Notes 2(h) and 14 to the financial statements.	
<p>For the year ended 30 June 2023 the Company's statement of financial position includes the following in relation to convertible notes:-</p> <ul style="list-style-type: none"> Non-current liabilities: Convertible Note of \$18,025,000 Equity: option premium on convertible notes of \$507,000 <p>On the 1/10/2021 the Company issued 7,407,407 Convertible Notes. These compound financial instruments are able to be converted to share capital at the option of the noteholder in accordance with the Note Terms. After initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method.</p> <p>We have identified this area as a key audit matter due to the amounts involved being material.</p>	<p>Our procedures included, inter alia:-</p> <ul style="list-style-type: none"> Assessed whether the subsequent valuation of the liability component of the compound financial instrument is measured at amortised cost using the effective interest method. Reviewed the adequacy and appropriateness of the Company's disclosures in the financial report. Assessed the reasonableness of the valuation method and model used to value the embedded derivatives, the key inputs into the model and the resulting valuation amounts recognised by the company. Reviewed the appropriateness of the Company's disclosures in the financial report in accordance with AASB 9.

INDEPENDENT AUDITOR'S REPORT (continued)



FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED
(Page 3 of 4)

Information Other Than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Flagship Investments Limited for the year ended 30 June 2023, intended to be included on the Company's or other websites. The Company's Directors are responsible for the integrity of the Company's or other websites. We have not been engaged to report on the integrity of the Company's website. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on websites.

Responsibility of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, omitting, misstating or obscuring them, could reasonably be expected to influence the decisions of primary users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITOR'S REPORT (continued)



FLAGSHIP INVESTMENTS LIMITED
ABN 99 080 135 913

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FLAGSHIP INVESTMENTS LIMITED
(Page 4 of 4)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors and management.
- Conclude on the appropriateness of Directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transaction and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 11 to 12 of the Directors' report for the year ended 30 June 2023.

In our opinion the remuneration report of Flagship Investments Limited for the year ended 30 June 2023 complies with s300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

CONNECT NATIONAL AUDIT PTY LTD
Authorised Audit Company No. 521888

A handwritten signature in blue ink, appearing to read 'G. Georgiou'.

GEORGE GEORGIOU FCA
MANAGING DIRECTOR

Dated this 9th day of August, 2023.

SHAREHOLDER INFORMATION

Flagship Investments has only one class of equity security, being Fully Paid Ordinary Shares. The Shareholder information set out below was applicable as at 31 July 2023.

1. TWENTY LARGEST SHAREHOLDERS

Shareholders	Ordinary Shares	%
CITICORP NOMINEES PTY LIMITED	8,677,034	33.56%
GLOBAL MASTERS FUND LIMITED	1,060,000	4.10%
MR GREGORY JOHN BURTON & MRS CATHERINE BEATRICE BURTON <GJ BURTON PERSONAL SUPER A/C>	687,371	2.66%
MR HANK VAN LIESHOUT	678,367	2.62%
MRS SYLVIA MARIA VALMADRE	653,861	2.53%
CIDEL BANK & TRUST INC <CBT THE FRAGRANCE A/C>	524,552	2.03%
NOONBAH PTY LTD <NOONBAH A/C>	502,000	1.94%
QUANTUM ELECTRONICS PTY LTD <QUANTUM ELEC PL S/FUND A/C>	462,601	1.79%
MR DOMINIC MARTIN MCGANN	447,562	1.73%
DR SUSANNA ELIZABETH SWANEPOEL	416,667	1.61%
BOND STREET CUSTODIANS LIMITED <HEF - Q01843 A/C>	373,000	1.44%
BURTON HOLDINGS (QLD) PTY LTD <THE CB A/C>	367,866	1.42%
MRS ERIKA HABERFIELD	307,520	1.19%
PRIMARY COMMUNITY AGED CARE PTY LTD <ARDMILLAN A/C>	284,481	1.10%
BURTON HOLDINGS (QLD) PTY LTD <BURTON FAMILY A/C>	258,180	1.00%
RENNIN PTY LTD <REYNARD SUPER FUND A/C>	247,462	0.96%
EVJ HOLDINGS PTY LTD <EDWINA A/C>	210,148	0.81%
MR EDWIN HENRY BUCKLAND & MRS ENID OLIVE BUCKLAND <BUCKLAND SUPER FUND A/C>	200,000	0.77%
MR HIDETO SUGAWARA	192,072	0.74%
PETULA PTY LTD <THE RYAN FAMILY A/C>	188,500	0.73%
Total	16,739,244	64.73%

2. DISTRIBUTION OF SECURITIES:

Fully Paid Ordinary Shares

Distributions	Number of Shareholders	% of shares held
1 to 1,000	114	0.2%
1,001 to 5,000	179	1.9%
5,001 to 10,000	115	3.4%
10,001 to 100,000	209	22.1%
100,001 and over	35	72.4%
Total	652	100.0%
Holdings of less than a marketable parcel	53	0.02%

3. SUBSTANTIAL SHAREHOLDINGS

The names of the Shareholders who have notified the Company of a substantial holding in accordance with section 671B of the *Corporations Act 2001* are:

Substantial Shareholder	Number of Shares	% of total
Dr E C Pohl AM *	10,158,228	39.3%
Mr G J Burton	1,305,407	5.0%

* Has the power to control voting and/or the disposal of securities in accordance with a Power Of Attorney in relation to 1,481,324 shares.

4. VOTING RIGHTS

On a show of hands every Shareholder present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

5. ON-MARKET BUY BACK

There is no current on-market buy back.

INVESTMENTS

(1) HOLDINGS OF SECURITIES AS AT 30 JUNE 2023

Individual investments at 30 June 2023 are listed below. The list should not, however, be used to evaluate portfolio performance or to determine the net asset backing per share at other dates. Individual holdings in the portfolio may change during the course of the year.

Code	Company	Shares	Market Value \$'000	%
	ORDINARY SHARES			
ALU	Altium Limited	35,000	1,292.2	1.76
ARB	ARB Corporation Limited	40,000	1,144.0	1.55
CAR	Carsales.Com Limited	150,000	3,573.0	4.86
CBA	Commonwealth Bank of Australia	36,000	3,609.7	4.9
COH	Cochlear Limited	9,900	2,267.8	3.08
CSL	CSL Limited	11,000	3,051.2	4.15
CTD	Corporate Travel Management Limited	150,000	2,683.5	3.65
DMP	Domino's Pizza Enterprises Limited	83,000	3,853.7	5.24
FCL	Fineos Corporation Holdings PLC	750,000	1,665.0	2.26
FPH	Fisher & Paykel Healthcare Corporation Limited	31,711	714.8	0.97
GQG	GQG Partners Inc.	3,300,000	4,570.5	6.21
HUB	HUB24 Limited	160,000	4,072.0	5.53
IEL	Idp Education Limited	160,000	3,536.0	4.8
JDO	Judo Capital Holdings Limited	1,500,000	1,777.5	2.42
JHX	James Hardie Industries PLC	60,000	2,385.0	3.24
LOV	Lovisa Holdings Limited	126,000	2,431.8	3.3
MP1	Megaport Limited	300,000	2,166.0	2.94
MQG	Macquarie Group Limited	20,000	3,552.4	4.83
NAN	Nanosonics Limited	170,000	805.8	1.09
NWL	Netwealth Group Limited	200,000	2,768.0	3.76
NXL	Nuix Limited	1,000,000	850.0	1.16
REA	REA Group Ltd	16,000	2,288.5	3.11
RIO	Rio Tinto Limited	43,323	4,968.7	6.75
RMD	ResMed Inc.	50,000	1,640.5	2.23
SEK	Seek Limited	150,000	3,258.0	4.43
SQ2	Block Inc.	25,000	2,422.3	3.29
WTC	Wisetech Global Limited	27,095	2,162.5	2.94
XRO	Xero Limited	19,000	2,259.7	3.07
			71,770.0	97.52
	CASH			
	Cash (including dividends receivable)		1,822.9	2.48
	GRAND TOTAL		73,593.0	100.0

(2) TRANSACTIONS AND BROKERAGE

There were 69 (2022: 89) transactions in securities during the year on which brokerage of \$125,175 (2022: \$231,022) was paid.

INVESTMENT PERFORMANCE

ANNUAL PERCENTAGE CHANGE					
Year to	Portfolio Return Pre Fees	Portfolio Return After Fees	NTA (tax on Realised Gains Only)	All Ordinaries Index	All Ordinaries Accumulation Index
June-99	16.4%	14.4%	14.6%	10.1%	14.1%
June-00	33.6%	30.4%	25.3%	12.9%	16.8%
June-01	20.0%	15.2%	8.8%	5.1%	8.8%
June-02	-5.0%	-6.3%	-9.3%	-7.6%	-4.5%
June-03	-9.4%	-10.2%	-14.6%	-5.2%	-1.1%
June-04	20.5%	19.0%	14.4%	17.7%	22.4%
June-05	35.1%	31.0%	24.1%	19.8%	24.7%
June-06	34.7%	31.6%	19.8%	19.0%	24.2%
June-07	35.9%	32.8%	21.6%	25.4%	30.3%
June-08	-24.1%	-25.8%	-31.3%	-15.5%	-12.1%
June-09	-4.2%	-4.2%	-8.0%	-26.0%	-22.1%
June-10	21.4%	19.6%	6.7%	9.5%	13.8%
June-11	4.6%	4.6%	-1.7%	7.7%	12.2%
June-12	-4.9%	-4.9%	-8.2%	-11.3%	-7.0%
June-13	32.9%	29.5%	15.7%	15.5%	20.7%
June 14	26.2%	23.5%	15.8%	12.7%	17.6%
June-15	6.6%	6.2%	-1.4%	1.3%	5.7%
June-16	12.3%	10.9%	5.7%	-2.6%	2.0%
June-17	8.0%	7.1%	0.6%	8.5%	13.1%
June-18	20.1%	17.8%	8.5%	9.1%	13.7%
June-19	16.7%	14.8%	6.4%	6.5%	11.0%
June-20	8.4%	7.4%	0.9%	-10.4%	-7.2%
June-21	40.7%	36.2%	29.3%	26.4%	30.2%
June-22	-21.1%	-21.1%	-29.9%	-11.1%	-7.4%
June-23	15.4%	13.9%	7.8%	9.7%	14.8%

Note: Fees include Performance fees and Underwriting fees.

NTA (Net Tangible Assets) is after all expenses and payment of dividends to Shareholders

CORPORATE DIRECTORY

FLAGSHIP INVESTMENTS LIMITED

ABN 99 080 135 913
REGISTERED IN QUEENSLAND ON
23 SEPTEMBER 1997



BOARD OF DIRECTORS

Dominic M McGann
Non-Executive Chairman
Dr Emmanuel (Manny) C Pohl AM
Managing Director
Angela Obree
Non-Executive Director

COMPANY SECRETARY

Scott W Barrett

REGISTERED OFFICE

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INVESTMENT MANAGER

EC Pohl & Co Pty Ltd
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